Neighborhood Group, Fidelity Bank Agree on Innovative Financing Plan

By A. JOSEPH NEWMAN JR.

PHILADELPHIA — Under an innovative agreement with a coalition of neighborhood groups, Fidelity Bank, a unit of the $6.8 billion-asset Fidelcor Inc., said it will consider "sweat equity" as part of the down payment for mortgage loans.

Under the plan, mortgage applicants would have to be certified by the group that they are qualified to do the specified work on the house, and submit an estimate of how much the work would add to the value of the house.

After the agreement was reached, the neighborhood group — ACORN, for Association of Community Organizations for Reform Now — dropped a plan to protest the proposed acquisition by Fidelcor of the $2.1 billion-asset IVB Financial Corp., parent of Industrial Valley Bank and Trust Co.

However, another coalition of community groups — Eastern North Philadelphia Initiative — said it will continue to challenge the acquisition, charging both banks with "dismal failure" to meet neighborhood credit needs under the Community Reinvestment Act. It has protested to the Federal Reserve.

As part of its agreement with ACORN, Fidelity also agreed to make mortgage loans, up to 80% of the value of the property, in blocks where more than 15% of the homes have been abandoned. ■

Thrifts Hold More Mortgage Securities

Continued from Page 1

however, six institutions had decreases in their proportional investment in mortgage-backed pass-through securities.

At two thrifts — Guardian Savings and Loan Association in Dallas and Franklin Savings Association in Ottawa, Kan. — mortgage-backed securities accounted for at least 85% of assets. At a third, Benj. Franklin Federal Savings & Loan Association in Portland, Ore., they accounted for 40%.

Not surprisingly, American Savings and Loan Association of Los Angeles, the nation's largest thrift in terms of total assets, heads the list of largest holders of mortgage-backed pass-through securities with $6.4 billion as of June 30, 1985.

American held more mortgage securities than the combined holdings of the second- and third-ranked thrifts — First Federal of Michigan in Detroit had $3.2 billion in mortgage-backed pass-through securities, and Home Savings of America in Los Angeles reported $2.4 billion.

American, though, also showed the largest decrease in holdings of mortgage-backed securities among the top 50 thrift investors — down $709 million from its June 30, 1984, figure of $7.1 billion. American also showed a $3.6 billion reduction in its total assets during this same period, down to $27.7 billion from $31.3 billion in 1984.

At nearly every other of the ranked thrifts, a reduction in their holdings of mortgage-backed securities was accompanied by an increase in the thrift's

➡ Thrifts: Page 23

Bank Mortgage Security Holdings

Government- and Private-Insured

(Midyear Data, in Millions of Dollars)

	Total Mortgage Securities		Government Mortgage Securities		Total Domestic Assets		Mortgage Securities To Assets (%)	
	1985	1984	1985	1984	1985	1984	1985	1984
1. Bank of American NT&SA, San Francisco	1,048	1,469	1,048	1,469	65,235	64,505	1.61	2.28
2. First Pennsylvania Bank NA, Philadelphia	657	682	657	682	4,612	4,360	14.26	15.65
3. Continental Illinois NB&T., Chicago	621	703	621	703	18,685	22,633	3.32	3.11
4. Citibank NA, New York	555	252	555	252	56,007	46,106	0.99	1.55
5. First Union National Bank, Charlotte, N.C.	518	237	518	237	7,559	6,114	6.85	3.87
6. Equibank, Pittsburgh	385	415	384	414	2,715	2,834	14.14	14.60
7. Hibernia National Bank, New Orleans	371	268	371	268	1,882	1,656	19.70	16.17
8. First Fidelity Bank, NA, Newark	368	264	368	264	6,727	6,858	5.47	3.85
9. Pittsburgh National Bank, Pittsburgh	335	276	335	276	8,631	8,261	3.89	3.34
10. Harris Trust & Savings Bank, Chicago	290	111	290	111	6,375	5,638	4.55	1.97
11. Comerica Bank - Detroit, Detroit	275	291	275	291	6,573	6,593	4.19	4.42
12. Chemical Bank, New York	222	231	222	231	3,7889	3,7387	0.59	0.62
13. Southeast Bank NA, Miami	221	246	221	246	9,306	7,627	2.37	3.23
14. First National Bank, Chicago	214	221	214	221	2,1910	2,1959	0.98	1.01
15. National Bank of Detroit, Detroit	210	231	210	231	1,1225	1,0533	1.88	2.20
16. Hibernia Bank, San Francisco	208	105	187	105	1,128	868	16.55	12.06
17. San Diego Trust & Savings, San Diego	203	149	203	149	na	na	na	na
18. BancOhio National Bank, Columbus	197	201	197	201	4,110	5,096	4.79	3.95
19. First National Bank, St. Paul, Minn.	192	33.446	192	33	4,954	4,206	3.87	0.80
20. Bank of Baltimore, Baltimore	182	na	182	na	na	na	na	na
21. First National Bank, Atlanta	153	29	153	29	5,622	4,822	2.72	0.60
22. First National Bank, Boston	150	6	150	6	1,0433	9,569	1.43	0.06
23. Marine Midland Bank NA, Buffalo	138	149	138	149	1,5519	1,5680	0.89	0.95
24. Huntington National Bank, Columbus	134	111	134	111	5,480	4,879	2.45	2.28
25. Seattle-First National Bank, Seattle	133	146	133	146	8,115	7,219	1.64	2.02
26. United Virginia Bank, Richmond	126	45	126	45	6,348	5,602	1.98	0.81
27. Golden State Sanwa Bank, San Francisco	125	183	125	183	1,493	1,340	8.38	13.66
28. Industrial Valley Bk & Tr, Philadelphia	113	120	113	118	1,895	1,813	5.97	6.51
29. Chase Lincoln First Bank, Rochester, NY	108	46	47	46	3,768	4,120	1.25	1.12
30. Equitable Bank NA, Baltimore	101	111	101	111	2,633	2,162	3.84	5.14
31. Rainier National Bank, Seattle	90	95	90	95	5,938	5,653	1.52	1.68
32. Connecticut Nat Bank, Hartford	90	89	90	89	6,027	5,426	1.50	1.64
33. Central Nat Bk of Cleveland, Cleveland	89	93	89	93	2,250	2,017	3.96	4.60
34. First Interstate Bk of Wa, Spokane	88	90	88	90	3,069	2,586	2.87	3.48
35. Society National Bank, Cleveland	86	69	86	69	2,377	2,420	3.64	2.83
36. Northern Trust Company, Chicago	86	88	86	88	4,745	5,339	1.81	1.66
37. First Peoples Bank of N.J., Haddon Township	84	95	3	3	na	na	na	na
38. Exchange Nat Bk in Chicag, Chicago	83	64	83	64	1,172	71	7.12	6.01
39. Dauphin Deposit Bank & Tr, Harrisburg, Pa	80.45	0	0	0	na	na	na	na
40. First Nat Bk of Maryland, Baltimore	80	8	80	3	3,488	3,039	2.30	0.09
41. Union Bank, Los Angeles	80	84	80	84	8,221	7,972	0.97	1.05
42. Union Bank & Trust Co NA, Grand Rapids	78	66	78	66	na	na	na	na
43. Bank of Virginia, Richmond	77	47	77	47	4,161	3,470	1.85	1.36
44. Fleet National Bank, Providence, R.I.	74	57	74	57	4,237	3,560	1.74	1.60
45. Union Planters National Bank, Memphis, Tenn.	69	169	69	169	2,362	1,692	2.92	9.97
46. Bank One, Dayton NA, Ohio	68	30	68	30	1,390	1,229	4.90	2.43
47. Central Bank of the South, Birmingham, ala.	68	70	68	70	na	na	na	na
48. Continental Bank, Norristown, Pa.	68	74	68	74	na	na	na	na
49. Sun Bank NA, Orlando, Fla.	67	80	67	0	2,685	2,337	2.50	3.42
50. Commerce Union Bank, Nashville, Tenn.	65	78	65	0	1,807	1,569	3.59	4.96
Totals	10,128	8,778	9,882	100	390,758	369,817	4.3	4.0

ADP Data Services, New York, provided the data from its computer file of the federal regulatory report of condition.

Mortgage Bonds Are Big Holding For Some Banks

Continued from Page 1

with nearly 17% of its assets in mortgage securities — and the securities comprising more than 14% of the assets of First Pennsylvania Bank, Philadelphia, and First Union National Bank, Charlotte, N.C.

In whole dollars as of midyear 1985, Bank of America had more than $1 billion, nearly double the investment in mortgage securities of the second ranked bank, First Pennsylvania, with some $658 million of the securities.

A few banks showed a sprinkling of privately insured mortgage securities, led by First Peoples Bank of New Jersey, Haddon Township. First Peoples reported some $80 million in privately insured securities, compared with some $3.3 million in government-insured securities, at midyear 1985. Total mortgage security investments at First Peoples comprised about 7% of assets at that time.

Ironically, Bank of America reported no holdings of privately insured mortgage securities — though the bank suffered losses of nearly $100 million in late 1984 from a scandal that involved privately insured securities. The bank, however, had acted as trustee for those securities, and not as an investor.

Banks could increase their investments in mortgage securities if Wall Street and mortgage lenders were better able to structure short-term securities from the traditional 30-year mortgage. "Right now, mortgage securities are usually too long an investment for most bank portfolios," said David Andrukonis, an economist with Freddie Mac.

Some interest may be generated by the trend among consumers toward shorter-term mortgages, such as the 15-year loan that became very popular in 1985. "A lot of those have been put into securities and are selling quickly," said Judy Hustick, an analyst with Salomon Brothers Inc.

Mortgage securities that are backed by 15-year loans, though, have thus far proven most popular with life insurance companies, she added.

"It will be hard to get banks much more involved in mortgage investments — it's just the traditional strength of thrifts and others," said Mr. Andrukonis. ■

Strategic Dates
July 1, 1987

RHODE ISLAND TRIGGER: Rhode Island's General Assembly set the effective date for the state's nationwide interstate banking trigger for today.

Bank of North Dakota Reports Record Profits

Special to the American Banker

BISMARCK, N.D. — The Bank of North Dakota, the nation's only state-run bank, set a new profit record in 1985 by posting net operating earnings of over $12 million.

H.L. Thorndahl, the bank's president, said profit represented a 29% increase over 1984's earnings of $9.3 million.

He attributed the profits to declining interest rates, which means that "money does not cost as much."

He said that $7 million of the profits will be turned over to the state treasury in quarterly payments.

At yearend the total resources of the bank were at $987 million, and on Jan. 2 they went over $1 billion, Mr. Thorndahl said.

Loan losses in 1985 were $8.3 million, down from the previous year. Mr. Thorndahl said most of the losses were from agribusiness, and the bank expects substantial recoveries on these loans.

The bank also posted two other records: $58.8 million in capital accounts and $6.4 million in loan-loss reserves in 1985. Mr. Thorndahl said that deposits were $631.2 million, up over 1984's figure of $590 million.

He expects the bank will still be faced with "some problem loans" this year, but none so bad as during the last two years. ■

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Thrifts Show Gains in Mortgage Securities

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total assets. American's experience can likely be attributed to its program of shrinking assets, which began in 1984 when the thrift suffered a deposit drain and failed to meet a yearend capital requirement of the Federal Home Loan Bank Board.

First Federal of Michigan, number two on the list, showed a slight decrease in holdings over the previous year. Instead of indicating the beginning of a trend away from long-term mortgage-backed securities, the decline in holdings indicates a leveling of aggressive asset growth during the previous five years, according to a spokesman for First Federal.

Part of a business program started five years ago, heavy investment in mortgage-backed securities was viewed as the only way to "let the old portfolio unwind itself" while still generating a profit for the company, said C. Gene Harling, First Federal's chief financial officer. "It's not just a matter of locking into a positive spread and increasing earnings per share."

During the last year, many thrifts were selling their mortgage investments because interest rates had fallen enough to make them profitable, said Judy Hustic, a research analyst with Salomon Brothers Inc.

Mortgage-backed securities could become an even more popular investment among thrifts if legislation introduced by Sen. Alan Cranston, D-Calif., and Sen. John Chaffee, R-R.I., becomes law.

The legislation would permit more flexibility in structuring the terms of mortgage securities, much as Wall Street has tried to do with the advent of collateralized mortgage obligations. The changes would enable lenders to sell shorter-term mortgage securities than are available under current laws, and make them more attractive investments for thrifts, among other institutions, said Peter Knight, director of mortgage finance for the the National Council of Savings Institutions.

But after a number of cases of alleged fraud surfaced in 1985, Gerald J. Levy, chairman of the U.S. League of Savings Institutions, said that thrifts must use more caution in buying and selling mortgage assets. Mr. Levy is president of Guaranty Savings & Loan Association, Milwaukee.

In terms of geographic representation among the 50 largest thrifts, California leads the country with 14, including six in the top 10. Texas had six of the top 50. As a group, Texas thrifts increased their total holdings of mortgage-backed pass-through securities by 85%, compared with almost no change among California thrifts. This is partly due to American Savings and Loan's large reduction in holdings. ■

Thrift Mortgage Security Holdings

MortgageBacked Pass-Through Securities at FSLIC-Insured Institutions

(Midyear Data, in Millions of Dollars)

	Total Mortgage Securities		Total Assets		Mortgage Securitiesc To Assets (%)		Regulatory Net Worth	
	1985	1984	1985	1984	1985	1984	1985	1984
1. American Savings & Loan Assn., Stockton, Calif.	6,363	7,072	27,724	31,299	0.23	0.23	303	1,007
2. First Federal of Michigan, Detroit	3,177	3,186	9,096	8,939	34.9	35.6	291	234
3. Home Savings of America, Los Angeles	2,418	2,121	24,636	22,235	9.8	9.5	917	817
4. World Savings, FS&LA, Oakland, Calif.	2,312	2,406	11,480	8,744	20.1	27.5	449	296
5. Guardian Savings & Loan Assn., Dallas	1,881	1,119	2,224	1,520	84.6	73.7	44	27
6. Glendale Federal Savings & Loan Assn., Calif.	1,814	1,226	12,707	10,352	14.3	11.8	668	613
7. Benjamin Franklin Federal S&L Assn., Portland, Ore.	1,632	1,685	3,861	3,680	42.3	45.8	128	130
8. Franklin Savings Assn., Ottawa, Kan.	1,540	1,051	1,783	1,139	86.3	92.2	57	26
9. Columbia Savings & Loan Assn., Beverly Hills	1,441	1,333	5,781	4,368	24.9	30.5	274	169
10. California Fed. Savings & Loan Assn., Los Angeles	1,420	1,968	16,629	15,975	8.5	12.3	851	825
11. Twin City Federal S&L Assn., Minneapolis	1,372	1,301	4,527	4,481	30.3	29.0	150	133
12. The Talman Home Federal S&L Assn., Chicago	1,359	1,317	6,297	6,486	21.6	20.3	130	130
13. First Federal Savings & Loan Assn. of Arizo, Phoenix	1,332	978	4,754	3,463	28.0	28.2	244	157
14. Carteret Savings and Loan Assn., Newark, N.J.	1,203	1,288	5,103	4,857	23.6	26.5	191	153
15. Goldome FSB, Buffalo, N.Y.	1,186	599	11,353	10,969	10.4	5.5	409	363
16. Crossland Savings, FSB, Brooklyn, N.Y.	1,091	691	6,548	6,425	16.7	10.8	200	208
17. United Savings Assn., Houston	1,084	248	4,429	3,393	24.5	7.3	176	159
18. First Federal Savings & Loan Assn., Rochester, N.Y.	1,064	1,270	4,496	4,284	23.7	29.6	67	43
19. Standard Federal Bank, Troy, Mich.	1,013	277	5,483	5,087	18.5	5.4	209	141
20. The Long Island Savings Bank of Centereach, N.Y.	974	1,039	2,918	2,704	33.4	38.4	151	147
21. Gibraltar Savings, Beverly Hills	891	794	7,402	7,728	12.0	10.3	353	242
22. Northeast Savings, FA, Hartford, Conn.	882	685	4,070	3,682	21.7	18.6	210	210
23. The Dime Savings Bank, Brooklyn, N.Y.	838	402	7,619	6,741	11.0	6.0	134	144
24. American Savings & Loan of Florida, Miami	816	986	2,774	4,185	29.4	23.6	99	158
25. First Nationwide Savings, San Francisco	796	952	1,0491	8,988	7.6	10.6	383	341
26. CenTrust Savings Bank, Miami	736	1,018	4,347	2,947	16.9	34.6	168	122
27. Fortune Federal S&L Assn., Clearwater, Fla.	685	158	1,891	1,585	36.2	10.0	76	69
28. Great Western Savings, Beverly hills	685	1,234	2,1756	1,8897	3.1	6.5	948	822
29. Anchor Savings Bank FSB, Northport, N.Y.	677	700	4,393	3,925	15.4	17.8	256	280
30. Western Savings & Loan Assn., Phoenix, Ariz.	630	524	4,314	3,917	14.6	13.4	223	92
31. Florida Federal S&L Assn., St. Petersburg	617	698	4,802	4,637	12.8	15.0	290	289
32. Homestead Savings, FS&LA, San Francisco	596	718	3,306	2,574	18.0	27.9	79	74
33. Perpetual American Bank, FSB, McLean, Va.	580	676	3,926	3,446	14.8	19.6	191	129
34. Gibraltar Savings Assn., Houston	556	193	4,202	4,117	13.2	4.7	387	239
35. Community Federal S&L Assn., St. Louis, Mo.	548	378	3,548	3,564	15.5	10.6	132	124
36. Coast Savings & Loan Assn., Los Angeles	542	228	6,298	5,603	8.6	4.1	417	158
37. First Texas Savings Assn., Dallas	524	577	3,606	3,421	14.5	16.9	278	220
38. Bright Banc Savings Assn., Dallas	514	12	2,150	295	23.9	4.1	117	107
39. Downey Savings & Loan Assn., Costa Mesa, Calif.	495	301	2,295	2,004	21.6	15.0	113	84
40. Citicorp Savings of Illinois, FS&LA, Chicago	486	656	4,445	4,029	10.9	16.3	663	227
41. Astoria Federal Savings & Loan, Queens, N.Y.	479	487	2,229	2,067	21.5	23.6	127	116
42. First Southern Fed. S&L Assn., Mobile, Ala.	469	99	1,670	1,170	28.1	8.5	58	47
43. Santa Barbara Savings & Loan Assn., Calif.	455	170	2,694	2,917	16.9	5.8	33	60
44. People Heritage Federal S&L Assn., Salina, Kan.	454	121	1,241	583	36.6	20.8	33	18
45. National Permanent Bank, FSB, Washington, D.C.	451	386	1,229	1,120	36.7	34.4	2	18
46. Commercial Federal S&L Assn., Omaha, Neb.	442	298	2,552	2,429	17.3	12.3	79	51
47. American Savings & Loan Assn., Salt Lake City, Utah	434	96	2,743	2,480	15.8	3.9	70	98
48. Texas Federal Savings & Loan Assn., Dallas	421	542	1,662	1,632	25.3	33.2	40	53
49. Home Federal Savings & Loan Assn. of San Diego	421	257	9,525	7,684	4.4	3.3	666	586
50. New Biscayne Fed. Savings & Loan Assn., Miami	417	417	2,082	2,082	20	20	116	116
TOTALS	53,211	46,939	307,092	280,850	11.24	10.14	12,649	11,072

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TODAY

MONEY MANAGERS

Few professions match the investment field's need for savvy, expertise, and sheer luck. Today's special section profiles top investors, who tell how and why they invest funds, their successes and failures, and how they view the coming market. The section begins on page... 19

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Washington Monday

Bankers Cautious on Fed Capital Guidelines

Money Center Banks, Likely to Be Most Affected, Raise Questions as to Timing and Methods

By JOHN P. FORDE

NEW YORK — The Federal Reserve Board's guidelines for risk-related capital may be a step in the right direction, say some in the banking industry, but many bankers are withholding judgment until the impact of the rules on their institutions is clearer.

Large money center banks, likely to be the hardest hit if the rules are adopted, have the greatest uncertainty about them.

John McGillicuddy, chairman of the Manufacturers Hanover Corp. here, said in a recent interview that the proposed guidelines come "at a time when the banking industry, and especially the major multinational banks, have made a dramatic turn on capital positions."

This increase in capital, he said, "came with pain for us," and it was done "at the expense of our shareholders." However, he complained, "all this gets lost in the translation when the guy on the street picks up his paper and sees the regulators are calling for more capital."

The Federal Reserve's capital plan places bank assets in four categories of risk, ranging from cash and U.S. securities at the lowest end to loans and commercial paper at the highest.

The Fed's plan was offered for comment on Jan. 15. Similar plans are to be proposed soon by the Comptroller of the Currency and the Federal Deposit Insurance Corp. The Fed's plan applies to state-chartered member banks and bank holding companies, and it is meant to be used in addition to the current capital plan, which mandates a 6% primary-capital-to-assets ratio for the nation's largest banking firms.

Text of Fed's Risk-Based Capital Guidelines Proposal, Page 10

An important factor is that this weight would be based on the type of asset, not on the quality. Therefore, said a Fed official, banks would not be penalized for risky loans.

Once the weighted figure of risk was computed, the regulator would divide banks with more than $1 billion in assets into three zones, depending on portfolio risk, to determine

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Big Regionals Show Their Muscle in Market Capitalization

By BART FRAUST

NEW YORK — SunTrust Banks Inc. of Atlanta may rank 24th in terms of assets, but it ranks 10th in the hearts and minds of investors.

BankAmerica Corp. in San Francisco may be number two in assets, but to the market, it's just number five and dropping.

Citicorp, though, is largest either way you look at it.

The principal gauge of how investors feel about a company is its market capitalization, the number of common shares outstanding multiplied by the market price at a given time.

And there is no better indicator of the growing power of the "superregionals," large regional bank holding companies that have built extensive interstate banking systems within the last year, than market capitalization.

For example, at yearend just $17 million in market capitalization separated SunTrust, one of the new superregionals, from Manufacturers Hanover Corp., a money-center institution.

"To the institutional investor interested in taking sizable positions but concerned with maintaining liquidity, it is the most relevant measure of a company's size," said analyst David S. Berry in a recent research report for Keefe, Bruyette & Woods Inc., a New York investment banking firm.

Top 50 Market Capitalization Table, Page 46

Market capitalization also can ensure that a company can grow bigger. According to William Weaver, a vice president for First Boston Corp., market capitalization is a key element in determining a company's price/earnings ratio. And the higher the company's P-E ratio, the more able it will be to make acquisitions.

Also, as most bank acquisitions are done at slight premiums to the seller's market capitalization, a high market capitalization makes it more likely that a company will survive the current bank merger wave.

"In an environment of deregulation, the rich get richer — and richness is measured by market capitalization," said Bradford M. Johnson, senior vice president for Johnson Lane Space Smith & Co., an Atlanta-based investment banking firm. "Market capitalization is the single best indicator of raw economic power."

Mr. Johnson believes that money-center banking companies are in "a race against time" in which the superregionals may grow so fast in terms of market capitalizations that they will be beyond the reach of money center institutions.

➳ Capitalization: Page 46

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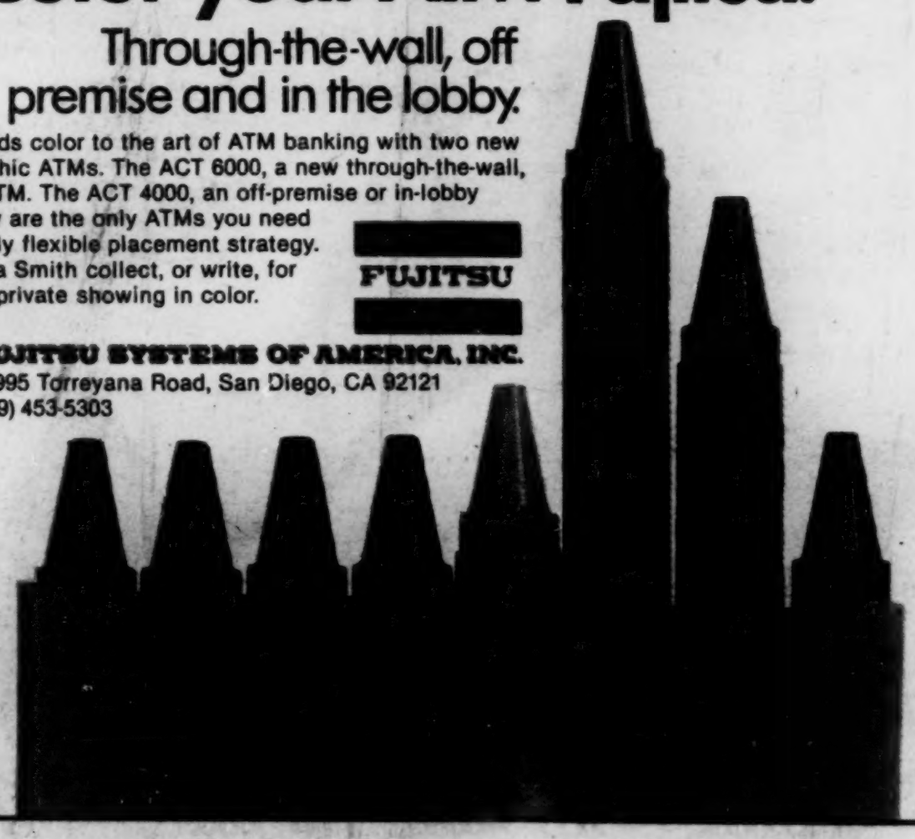

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Market Capitalization Gauge Heralds Rise of Superregionals

Continued from Page 1

"Once the market capitalizations become equal, it becomes impossible for one to acquire the other because the dilution in earnings per share becomes intolerable," he said. "SunTrust may someday have a larger market capitalization than Chase and, stretching this further, Chase might become an acquisition candidate for SunTrust."

Florida National Banks of Florida Inc., Jacksonville, provides another example of the importance of market capitalization, Mr. Johnson said.

The company is considered an attractive acquisition candidate, but a buyer would have to pay close to $1 billion. "There are not many acquirers willing to pay that much," he said.

Florida National has a market capitalization of about $500 million. And because the stock is trading at only about 1.3 times book value, a potential buyer most likely would have to exceed the market capitalization in order to lure Florida National, Mr. Johnson said.

'SunTrust may someday have a larger market capitalization than Chase and, stretching this further, Chase might become an acquisition candidate for SunTrust.'

— Bradford M. Johnson, senior vice president for Johnson Lane Space Smith & Co., an Atlanta-based investment banking firm

An additional factor that would increase a potential bid for Florida National is the Jacksonville company's agreement with Chemical New York Corp.

Under that 1981 accord, Chemical agreed to buy Florida National if and when combinations of New York and Florida banks become permissible under federal interstate banking laws.

To buy out Chemical, which owns a chunk of Florida National's preferred stock, would cost a buyer about $90 million, Mr. Johnson said.

Superregionals Lead in Gains

According to the Keefe study, which ranked the nation's top 50 bank holding companies in terms of market capitalization at yearend 1985, the biggest gainers last year were large regional banking companies.

Bank of New England Corp., Boston, led the group with a 261.4% rise in market capitalization. The company, which resulted last June from the merger of Bank of New England with CBT Corp. of Hartford, Conn., ranked 22d among the 50 banking companies. It was not among the top 50 in 1984.

No one was even close to Bank of New England in terms of percentage gains. The nearest was First Union Corp. in Charlotte, N.C., whose market capitalization rose 150.6% between yearend 1984 and yearend 1985.

First Union has launched an ambitious in-state and interstate acquisition program since the June 10 decision by the U.S. Supreme Court allowing regional banking.

Others that showed sharp rises last year were:

• SunTrust Banks, which gained 146.6%. SunTrust is the result of the merger of Sun Banks Inc., Orlando, Fla., and Trust Company of Georgia, in Atlanta.

• Bank of Virginia Co., Richmond, which showed a rise of 127.3%. The company recently acquired Union Trust Bancorp in Baltimore and has announced an agreement to buy Security National Corp. in Washington, D.C.

• First Wachovia Corp., which rose 97.4%. The company is the result of the combination of Wachovia Corp. in Winston-Salem, N.C., and First Atlanta Corp.

• KeyCorp, whose market capitalization rose 96.8% last year. The Albany, N.Y., company has expanded into Maine, Alaska, and Oregon.

The biggest market capitalization decline last year was the 27.2% drop by Texas Commerce Bancshares. The Houston bank holding company recently reported a $28.8 million loss in the fourth quarter of 1985.

Plummeting oil and gas prices and related problems in the Texas real estate market caused the market capitalizations of two other large Texas banking companies to drop last year. MCorp in Dallas fell 1.8%, while Allied Bancshares in Houston dropped 1.7%.

BankAmerica's Decline

Another big decliner last year was BankAmerica. The company, which recently suspended its dividend on the heels of reporting a $337 million loss in 1985, showed a 13.2% decline in market capitalization.

As a group, the banks included in Keefe's list of the top 50 showed an average gain in market capitalization last year of 41.3%. Of the 50, Citicorp's $6.5 billion in market capitalization was the highest, and J.P. Morgan & Co.'s $5.5 billion was second highest.

To put banks' market capitalization in perspective, though, the combined $70.3 billion in market capitalization of the top 50 bank holding companies is still smaller than the $93 billion market value of International Business Machines Corp. alone.

But within the limited universe of banking, bank holding companies are getting larger, the Keefe data show. In 1984, 14 bank holding companies had at least $1 billion in market capitalization; last year, 24 bank holding companies had at least $1 billion in market capitalization.

"The increasing concentration of market capitalization can be expected to continue," Mr. Berry, the Keefe analyst, said.

"In the Southeast and New England, Sovran and Fleet Financial, ranked number 35 and 45 at the end of 1985, both have mergers pending which will catapult them into the $1 billion-plus market capitalization group; elsewhere, in the Mid-Atlantic and Midwest sectors, consolidation has hardly begun." ■

Market Capitalization of Top 50 Banks

By Market Capitalization 12/31 1985 Rank	By Market Capitalization 12/31 1984 Rank	By Assets 12/31 1985[1] Rank		Market Cap. ($ millions)	% Gain 1984-1985
1	1	1	Citicorp, New York	6,352	29.8%
* 2	2	5	J.P. Morgan & Co., New York	5,564	69.7
3	7	3	Chase Manhattan Corp., New York	2,774	58.5
4	6	8	Bankers Trust New York Corp.	2,614	49.1
5	3	2	BankAmerica Corp., San Francisco	2,384	-13.2
6	4	7	Security Pacific Corp., Los Angeles	2,355	25.2
7	5	9	First Interstate Bancorp., Los Angeles	2,294	27.1
8	8	6	Chemical New York Corp.	2,207	34.9
9	9	4	Manufacturers Hanover Corp., New York	1,919	29.0
**10	22	24	SunTrust Banks Inc., Atlanta	1,902	146.6
*11	17	29	First Wachovia Corp., Winston-Salem, N.C.	1,811	97.4
**12	25	32	First Union Corp., Charlotte, N.C.	1,739	150.6
*13	13	26	PNC Financial Corp., Pittsburgh	1,655	64.1
14	12	22	NCNB Corp., Charlotte, N.C.	1,631	48.4
*15	16	38	Banc One Corp., Columbus	1,492	60.6
16	15	10	First Chicago Corp.	1,476	47.8
*17	21	34	Barnett Banks of Florida Inc., Jacksonville	1,439	84.5
18	11	11	Mellon Bank Corp., Pittsburgh	1,404	12.5
19	14	13	Wells Fargo & Co., San Francisco	1,342	34.1
20	23	14	Bank of Boston Corp.	1,220	59.2
21	20	15	First Bank System Inc., Minneapolis	1,157	42.0
**22	—	28	Bank of New England Corp., Boston	1,108	261.4
*23	32	47	Citizens & Southern Georgia Corp., Atlanta	1,089	74.8
*24	36	27	Bank of New York Co.	1,000	78.4
*25	34	31	NBD Bancorp. Inc., Detroit	985	61.8
*26	33	48	Norstar Bancorp Inc., Albany, N.Y.	983	61.2
27	28	40	CoreStates Financial Corp., Philadelphia	965	44.0
28	30	21	Norwest Corp., Minneapolis	925	38.5
29	10	22	7Texas Commerce Bancshares, Houston	915	-27.2
30	24	17	RepublicBank Corp., Dallas	908	20.1
31	27	33	Republic New York Corp.	879	29.3
*32	46	39	Midlantic Banks Inc., Edison, N.J.	878	87.3
33	18	36[2]	Allied Bancshares Inc., Houston	866	-1.7
34	19	18	MCorp, Dallas	854	-1.8
35	31	44	Sovran Financial Corp., Norfolk, Va.	842	28.9
36	41	35	First Fidelity Bancorp., Newark, N.J.	797	59.4
37	35	20	Irving Trust Co., New York	782	38.2
38	37	16	Marine Midland Banks Inc., Buffalo, N.Y.	719	32.2
39	39	36	National City Corp., Cleveland	698	32.0
40	26	19	InterFirst Corp., Dallas	696	1.3
41	45	52	Rainier Bancorp., Seattle	695	47.2
42	43	41	Valley National Corp., Phoenix, Ariz.	695	43.1
**43	—	81	Bank of Virginia Co., Richmond	694	127.3
*44	—	78	State Street Boston	689	82.0
45	47	66	Fleet Financial Group Inc., Providence, R.I.	681	53.4
*46	—	59	Hartford National Corp., Conn.	673	73.9
47	38	54	AmeriTrust Corp., Cleveland	665	23.5
*48	—	67	KeyCorp, Albany, N.Y.	642	96.8
*49	—	53	Maryland National Corp., Baltimore	638	86.1
50	42	50	U.S. Bancorp, Portland, Ore.	604	21.7
			TOTAL	**7,029**	**41.3%**

* Market capitalization gain greater than 60%
** Market capitalization gain greater than 120%•
[1]Dec. 31, 1985 asset ranks available for top 36 firms only. Other rankings are as of June 30, 1985.
[2]June 30, 1985 ranking.

Source: Keefe, Bruyette & Woods Inc., American Banker

Network . . .

Continued from Page 2

lic affairs manager at Safeway Stores Inc.'s Washington, D.C., division.

In the last year or two, in-store ATMs have become the rage in electronic banking circles, with mixed results.

While Docutel's network struggled, another system of in-store machines around the nation's capital has flourished.

Giant Food Inc., a Landover, Md.-based supermarket chain, and Suburban Bank of Bethesda, Md., have been running ATMs in more than 100 Giant food stores.

While each machine in the Safeway network has been handling about 1,000 transactions a month, the machines in Giant stores have been doing about 3,000 transactions, said Terry Eikenbery, senior vice president at Suburban Bank.

He said he thinks the role of the supermarkets explains the differences between the networks.

"Giant has a proprietary interest in their system," Mr. Eikenbery said. The supermarket chain is co-owner of the company that runs the network.

"Giant looks at [the ATMs] as part of what they're selling in the supermarket," he said.

Suburban Bank also invested in the Safeway network. "Suburban has kind of written off that investment we made like a bad loan," Mr. Eikenbery said.

Also, the machines in Giant food stores are open to virtually all the debit cards in the Washington market. Until recently, the Safeway network had access to only about one-half the debit cards in the Washington market.

Mr. Freeman said he blames the network's problems on the stunted card base.

When Docutel's network was formed in late 1983, the merger of Washington's two competing ATM networks, Most and Network Exchange, was expected within six months.

"It has only been completed in the last month, roughly 14 months late," Mr. Freeman complained.

While the recently completed merger "gives new hope for the profitability of this enterprise," said Mr. Freeman, Docutel has abandoned the business of running ATM networks.

Other in-store networks have been the victims of electronic banking economics.

Since supermarkets see so many consumers pass through their doors, the potentially heavy use of in-store machines worries banks that must pay a transaction fee each time their customers use the ATMs.

So in some cases, especially in Florida, banks have passed on these fees to their customers, thus discouraging use of the machines.

Many Washington-area financial institutions assess such fees. Mr. Eikenbery concedes that they may reduce use of in-store machines, but not to the extent that the Safeway network suffered. ■

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VOL. CLI NO. 28 Monday, February 10, 1986 151st Year

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Quote

In financial terms, we come out virtually level over the five years of investments. In terms of our reputation, I can't say the events of the last two years have been great for Midland.

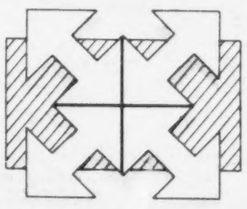
Ian Morrison, spokesman for Midland Bank, in announcing the sale of Crocker National Corp. [1]

Unquote

Wells Buys Crocker in Biggest US Bank Merger

By BART FRAUST

In the largest acquisition of a U.S. commercial banking organization ever in terms of assets, Wells Fargo & Co. will acquire Crocker National Corp. from Midland Bank Ltd. for about $1.08 billion.



Mergers, Acquisitions

The combination of the $29.4 billion-asset Wells and the $19.4 billion-asset Crocker will create the nation's 10th largest bank holding company. Wells, which along with Crocker is based in San Francisco, currently ranks 13th among bank holding companies. Crocker ranks 25th.

Just last year, the London-based Midland increased its share of Crocker to 100% from 57%. Midland first acquired a controlling interest in Crocker in 1981.

"Midland is acting like the FDIC with respect to Continental Illinois," said David Cates, a New York banking consultant. He was referring to the Federal Deposit Insurance Corp.'s 1984 rescue of the Chicago bank holding company, part of which included the agency's assumption of troubled assets. Some banking observers believe the FDIC hopes that Continental Illinois will one day be sold to another institution.

- Midland Returns Focus to Home, Page 30
- Steps on the Road to a Deal, Page 30
- Crocker-Midland Chronology, Page 32
- Top 25 Rankings After Merger, Page 35

Midland last year took over Crocker's $3 billion international portfolio, over half of which consisted of Latin American loans, and $450 million in nonperforming domestic real estate loans.

After showing a mammoth loss of $324.4 million in 1984, Crocker turned in a modest profit last year of $38 million. However, nonperforming loans — a key indicator of whether a bank will experience future problems in its loan portfolio — were down to about 2% of loans from 8.7% at year-end 1984.

Crocker is by far the largest U.S. banking organization ever acquired by

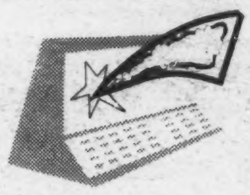
➡ Crocker: Page 30

AN AMERICAN BANKER SPECIAL REPORT

Tuning in on Financial Services Video

10 Brokers Offer On-Line Order Entry, With an 11th on the Way, Survey Finds

NEW YORK — Ten securities brokers now offer 15 distinct on-line order entry services, an *American Banker* survey shows, and an 11th is slated for introduction next month.



On-Line Brokers

Their customers, whose numbers have grown over the last year, are mostly individual investors, traders, and investment managers who track portfolios closely. More casual individual investors also make use of the services, especially those with low sign-up fees and connect charges.

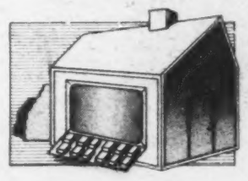
It is not possible to estimate the size of the on-line clientele of these brokers, since some of the firms will not say how many such customers they have. In the last survey, reported in the

➡ Brokers: Page 39

Conclusion of Tests Is Major Reason For Fewer Remote Banking Operations

By DAVID O. TYSON

NEW YORK — Thirty-eight banks and thrifts are in commercial operation or pilot tests of video banking, according to an *American Banker* survey of that on-line retail service.



Videobanking

This is down from 48 institutions in full operation or pilots last June, the time of the last survey. The decline stems mostly from conclusion of the Home Banking Interchange pilot test by 14 institutions on Oct. 1 and also from attrition among Viewtron and Pronto subscribers.

The Home Banking Interchange participants are studying the findings of

➡ Home Banking: Page 22

BankWire to Cease All Operations Effective March 7

By TOM FERRIS

NEW YORK — After years of trying in vain to compete with the wire-transfer system run by the Federal Reserve, the BankWire organization has decided to throw in the towel and cease operations next month, it was announced Friday.

Facing a $1.3 million deficit this year and no prospect for a substantial increase in wire-transfer business soon, BankWire's board decided unanimously last Thursday to pull the plug on the bank-owned organization's services, according to Robert L. Kemper, BankWire's president.

Mr. Kemper estimated that the liquidation of the company, formally known as the Payment and Telecommunication Services Corp., would cost the member banks up to $10.5 million.

➡ BankWire: Page 39

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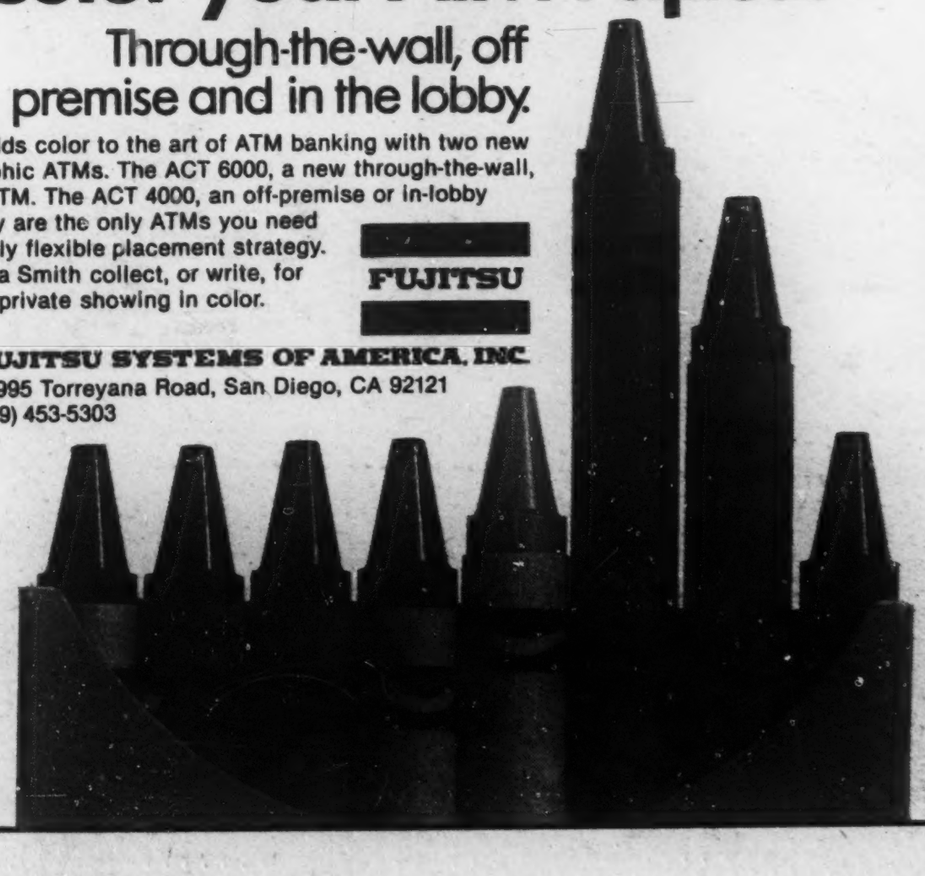

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